

CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D. C. 20505

CIA No. 6387

5 May 1971

MEMORANDUM FOR: Mr. Theodore L. Thau
Chairman, ACEP Operating Committee
Department of Commerce

SUBJECT : Soviet Interest in Middle East/North African
Oil and Soviet Acquisition of Western Technology
and Equipment from Eastern Europe.

REFERENCE : Task Force Report on Catalytic Backing

1. The responsible CIA analysts have provided the following information.

Soviet Interest in Middle Eastern/North African Oil

2. Soviet activities in the Middle East have not led to any control over petroleum supplies, and there are no indications that such control is required. In trying to meet its rapidly growing domestic and export requirements for oil, the USSR is encountering increasing economic and technical difficulties, and the rate of increase in total production of oil is slowing down. If such difficulties persist and if the USSR wishes to continue to provide most of the oil required by Eastern Europe and to maintain exports to other Communist countries and to the Free World at or near present levels, it may have to procure increasing amounts of oil from Free World sources. In this connection, the USSR has entered into agreements with Middle East and North African countries -- Iraq, Syria, Egypt, and Algeria -- that will provide oil in return for Soviet assistance in developing petroleum resources. Moreover, the USSR has encouraged East European countries to seek supplemental supplies elsewhere in exchange for technical equipment and manufactured goods. By 1975 Eastern Europe probably will be importing small quantities of oil -- perhaps 300,000 barrels per day (bpd) -- from the Free World. About one-third of this will be imported by Romania to maintain its present position as an exporter of petroleum products.

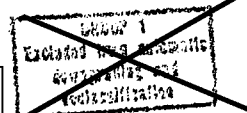
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3. If, in the long run, the USSR is successful in obtaining modern equipment and technology and increases investment from domestic sources, and if major oil and gas deposits can be developed in northern regions of West Siberia, the probability of attaining production goals during the next decade will be increased. If future production goals are reached, supplies of oil will be adequate to meet most domestic and export needs, and the necessity for procuring Middle East oil will be diminished. If, however, development plans fail and production goals cannot be realized, the USSR and Eastern Europe may need to import as much as 2 million bpd from the Middle East and North Africa by 1980. This would represent probably no more than about 6 or 7 percent of Middle East and North African production and does not imply any need for Soviet control.

Soviet Acquisition of Western Equipment and Technology in Eastern Europe

4. On several occasions in the past this Agency has given its views on the likelihood of the USSR acquiring Western technology exported to other East European countries. It is our considered judgment -- assurances to the contrary -- that if the USSR wanted Western technology or equipment acquired by any of these East European countries, the latter would not deny such a request regardless of their own wishes.

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5. Two examples of such diversion are: a statement by a

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that if the USSR requested a piece of equipment made in Czechoslovakia under a Western license, the equipment would be made available to the USSR, and a statement [redacted] that Soviet scientific and technical personnel make periodic trips to Romania to obtain technology that Romania has acquired in the West.

6. Even if we had no such examples, we believe such acquisition to be probable because Soviet demand for Western equipment and technology is considerable and acquisition via other East European countries is one of the ways in which the USSR could gain possession of highly desired Western technology. Such technology transfers could be effected via established CEMA mechanisms or on an ad hoc basis.

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7. The USSR is strengthening its grip politically and economically over the CEMA countries through CEMA and bilaterally. Accordingly, we believe that there will be less likelihood in the future than in the past that East European countries would try to resist Soviet requests for Western equipment and technology.

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[Redacted]
Chief

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Office of Economic Research